

Message Text

CONFIDENTIAL

PAGE 01 STATE 107221
ORIGIN EB-04

INFO OCT-01 SS-14 ISO-00 TRSE-00 NEA-07 INR-05 SP-02
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INRE-00 /048 R

DRAFTED BY EB/IFD/OMA:BCROWE
APPROVED BY EB/IFD/OMA:JWINDER
TREAS - ADRESS
NEA/PAB -HLUCIUS
AID - RTHOMPSON
-----063924 270128Z /14
O 262353Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY ISLAMABAD IMMEDIATE

C O N F I D E N T I A L STATE 107221

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, PK

SUBJECT: PAKISTAN DEBT RESCHEDULING

REFERENCE: ISLAMABAD 4018

1. AFTER CAREFULLY REVIEWING AVAILABLE DATA, WE HAVE
CONCLUDED THAT PAKISTAN'S PAYMENTS POSITION DOES NOT
WARRANT DEBT RELIEF AT THIS TIME. WE RECOGNIZE, HOWEVER,
THAT THERE ARE STILL UNCERTAINTIES ON PAKISTAN'S FY 79
BALANCE OF PAYMENTS POSITION. WE WOULD, THEREFORE, BE
WILLING AT A LATER DATE TO REEXAMINE THE MERITS OF
PAKISTAN'S CASE FOR DEBT RELIEF. OUR POSITION HAS BEEN
DETERMINED WITH A NUMBER OF CONSIDERATIONS IN MIND:

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(A) GOP CAPACITY TO MEET ITS DEBT REPAYMENTS AT LEAST IN
THE SHORT-TERM APPEARS BETTER, LARGELY DUE TO INCREASES
IN OVERSEAS REMITTANCES;

(B) USG POLICY IS THAT DEBT RELIEF SHOULD NOT BE GIVEN
AS A FORM OF DEVELOPMENT ASSISTANCE.

(C) PAKISTAN'S PAYMENTS POSITION WILL BE CLEARER WHEN FIVE-YEAR PLAN AND FRESH GOVERNMENT ECONOMIC POLICIES AND PROGRAMS ARE AVAILABLE;

(D) THERE IS STILL CONSIDERABLE UNCERTAINTY OVER THE LEVEL OF PFY 1979 WORKERS' REMITTANCES. INDICATIONS ARE THAT 1.1 BILLION DOLLARS OFFICIAL GOP PROJECTION MAY BE TOO LOW, AND THAT A RANGE OF 1.2-1.5 BILLION DOLLARS MIGHT BE EQUALLY PLAUSIBLE. THE ACTUAL LEVEL OF SUCH REMITTANCES IS OBVIOUSLY AN IMPORTANT FACTOR IN DETERMINING PAKISTAN'S ABILITY TO SERVICE DEBT.

2. WE APPRECIATE THAT US RELUCTANCE TO RESCHEDULE IN JUNE RISKS AFFECTING ADVERSELY ALREADY SENSITIVE US-GOP RELATIONS. WHILE WE ARE WILLING TO TAKE THIS RISK, WE BELIEVE WE CAN AT LEAST MINIMIZE IMPACT BY EXPRESSING WILLINGNESS TO CONSIDER PAKISTANI CASE FOR DEBT RELIEF LATER IN THE YEAR. SUCH A DELAY WOULD HOPEFULLY ALLOW TIME FOR RESOLUTION OF THE NUCLEAR REPROCESSING ISSUE. IT WOULD ALSO FACILITATE A CLEARER PICTURE OF PAKISTAN'S PFY 1979 BALANCE OF PAYMENTS SITUATION (INCLUDING THE CRITICAL ELEMENT OF WORKERS' REMITTANCES), THE STATUS AND DIRECTION OF ITS DEVELOPMENT POLICY, AND STATE OF THE GOP'S RELATIONS WITH THE IMF.

3. WE BELIEVE IT IMPORTANT TO HAVE THE IBRD OUT IN FRONT
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ON THE IDEA OF A POSTPONEMENT TO AVOID PROJECTING IMAGE THAT WE ALONE ARE PUSHING SUCH ACTION. WE HAVE, THEREFORE, ASKED THE IBRD TO SEEK TO ARRANGE SUCH A POSTPONEMENT. IN CONVEYING OUR WISH TO THE IBRD, WE STRESSED OUR VIEW THAT THE CASE WAS NOT YET MADE THAT PAKISTAN HAS ACUTE DEBT SERVICING PROBLEMS, AND THAT THERE WAS CLEAR NEED FOR DETAILED INFORMATION ON GOP ECONOMIC POLICY INTENTIONS AS WELL AS A MUCH FIRMER FIX ON PFY 1979 PAYMENTS POSITION.

4. REFTEL ARRIVED WASHINGTON SHORTLY AFTER ASSISTANT AID ADMINISTRATOR SULLIVAN HAD INFORMAL MEETING WITH IBRD OFFICIALS FOR SOUTH ASIA (HOPPER AND BLOEBEL) ON APRIL 24. SULLIVAN EXPRESSED VIEW THAT PAKISTAN REQUEST IS PREMATURE, AND THAT ALL CONSORTIUM CREDITORS NEED TO HAVE BETTER UNDERSTANDING OF PAKISTAN'S PAYMENTS POSITION AND POLICY INTENTIONS. IBRD OFFICIALS, WHILE LESS THAN ENTHUSIASTIC ABOUT IDEA, HAVE INSTRUCTED IBRD ISLAMABAD REP TO SUGGEST TO GOP THAT THEY DELAY PRESENTATION TO DONORS (NOW SCHEDULED APRIL 29) UNTIL BANK CAN MAKE SOUNDINGS ITSELF IN PARIS ON MAY 4 WITH HEAD OF DELEGATIONS DURING INTERVAL BETWEEN NEPAL AND SRI LANKA CONSORTIUM MEETINGS.

5. SEPTEL TO EMBASSIES IN KEY CONSORTIUM COUNTRIES
WILL INSTRUCT THEM TO:

(A) INFORM HOST GOVERNMENT OF USG VIEWS ON PAKISTAN'S
ECONOMIC SITUATION,

(B) DETERMINE THEIR ATTITUDES REGARDING GOP DEBT
RESCHEDULING ISSUE,

(C) SEEK THEIR SUPPORT FOR POSTPONEMENT OF JUNE 2
MEETING ON DEBT RESCHEDULING, AND

(D) REQUEST THEY SO INSTRUCT THEIR DELEGATIONS TO MAY
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4 MEETING IN PARIS TO CONVEY THAT VIEW TO IBRD.

6. IF APRIL 29 MEETING DOES IN FACT TAKE PLACE,
AMBASSADOR OR HIS REPRESENTATIVE MAY ATTEND BUT SHOULD
BE NON-COMMITAL ABOUT US RESPONSE. HE SHOULD AVOID ANY
SUGGESTION THAT USG CAN BE FORTHCOMING ON GOP REQUEST.

7. MORE SPECIFIC GUIDANCE WILL FOLLOW AFTER IBRD HAS
SURVEYED VIEWS OF CONSORTIUM MEMBERS. VANCE

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ORIGIN EB-03

INFO OCT-01 SS-05 ISO-00 /009 R

66011

DRAFTED BY: EB/IFD/OMA:BCROWE

APPROVED BY: EB/IFD/OMA:WMILAM

-----080395 280304Z /73

O 280150Z APR 78

FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 107221

LIMDIS PASS DEP ASST SECY MEISSNER BY OOB 4/28/78

FOLLOWING REPEAT STATE 107221 SENT ACTION ISLAMABAD 26 APR 78

QUOTE C O N F I D E N T I A L STATE 107221

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, PK

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UNQUOTE VANCE

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Message Attributes

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Draft Date: 26 apr 1978
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Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
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Type: TE
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